



# VA Single Family Housing News

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## Comments From the State Director, Ellen Matthews-Davis

### OWN YOUR

**FUTURE**-That is the motto of Rural Development in celebrating National Homeownership Month. Certainly homeownership is one of the key steps to take in building and securing a successful future. It is my privilege this month to participate in several events celebrating the realization of the American dream of homeownership. From far Southwest Virginia, through the Shenandoah Valley, all the way to the upper part of the Eastern Shore, Rural Development is helping to provide opportunities for Virginia families to own their future in rural America.

One of our most exciting programs is the Mutual Self-Help Housing. Families that participate in this program must provide up

to 65% of the labor needed for construction. When I first became aware of the program, it brought to mind images of old time house raisings where neighbors would come together and help build each other's homes. The families work on all of the homes with the goal that all homes must be completed before the families can move in. It is a pleasure that Rural Development has partnered with the Rockbridge Area Habitat for Humanity in promoting affordable housing by having a self-help project in the town of Glasgow. Rockbridge Area Habitat for Humanity received a Self-Help Technical assistance grant in the amount of \$185,640 to provide technical and construction supervision to the families. This grant will provide assistance in the construction of eight homes that will fulfill a dream for eight Virginia families.

As we celebrate National Homeownership Month, the dream of owning a home is strong in rural America. All of us at Rural Development are proud of the part we play in making that dream a reality.

Ellen Matthews-Davis  
State Director

## National Homeownership Month Event

President George Bush has declared June as National Homeownership Month. The Theme for this year is "Own Your Future".

On June 12, 2006, USDA Rural Development, partnered with Rockbridge Area Habitat for Humanity in celebrating National Homeownership Month at the self-help housing project in Glasgow VA. The mayor of Glasgow opened the ceremony and was joined by the four families participating in the project, Ben Kline of

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Congressman Goodlatte's staff, representatives of USDA Rural Development, Habitat for Humanity, state and local government officials, and local church members. Many people participated in the fun-filled "work day" event.



The Work Crew

### **IMPORTANT INFORMATION RD FORM 1980-21 and FORM AD-1048**

Effective immediately, the original of the 1980-21 **WILL NOT** be required in either the loan commitment or loan closing package. Copies or faxes are acceptable. Additionally, Form AD 1048 has been eliminated as the language of the AD 1048 has been incorporated into the 1980-21! The new form can be found at <http://www.rurdev.usda.gov/reforms/forms/1980-21.pdf>.

### **Origination Appraisal Requirements**

Rural Development AN 4145, "Existing Dwelling Inspection Requirements, Acceptable Origination Appraisal Forms", was available to lenders on

2/25/06. Following is an overview of the requirements of the AN.

The primary change from the previous edition of the AN is the elimination of the HUD VC sheets. They were eliminated by HUD on 01/01/06 and Rural Development followed suit.

However, the elimination of the VC sheets did not change the requirement that all properties must meet the HUD Handbook 4150.2 requirements (this has been in effect since 1995). In order to meet this requirement, lenders are highly encouraged to order a conventional appraisal from a FHA roster appraiser. Please note that standard homebuyer inspection reports will not meet the requirements of the HUD Handbooks. These reports are an excellent tool for homebuyers, but they do not address issues such as environmental issues, property access, and lead-based paint as required by the HUD Handbooks.

The appraiser must use the March 2005 version of the URAR and specifically state on the report that the property meets the HUD Handbook requirements or list any deficiencies.

Additionally, only the appraiser who holds the FHA roster designation can sign the appraisal; trainees or assistants cannot sign on behalf of the roster appraiser.

The lender must also have in their file a water test (for properties not served by

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"town" water) and a termite inspection. A septic inspection is not required unless the appraiser suspects problems with the septic system.

This AN does not apply to new construction.

Additionally, some lenders are still using the old "EC" Sheet; please discontinue use of this form as it was eliminated in July 1999.

### **Notes on Income Verification**

Lenders should note RD AN 4179, "Acceptable Alternative Documentation to Verify the Applicant's Employment Income" and AN 4187, "Determining Repayment Income for Self-Employed Applicants".

AN 4179 states that the lender to determine "adequate and dependable" income for the purpose of repayment and "adjusted annual income" for the purpose of program eligibility. The lender has the choice of:

1. A written VOE and one paystub, or,
2. A telephone/web VOE, 2 years of W-2's and a month of paystubs.

For the purpose of repayment income, the lender should count all income with

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a 24 month duration received by all applicants for the loan.

For the purpose of annual income, the lender must count all income of all adults who will reside in the dwelling. The lender must also count overtime, commission, and bonuses received unless the VOE states the income will not continue to be received. Annual income can many times be greater than repayment income.

For the self employed, income must be of 24 months duration, meaning the applicant must have completed two tax cycles. A profit and loss statement can be included in the income analysis but only if signed by an account or tax preparer. Borrower prepared P&L's cannot be used.

We recommend that lenders use the eligibility site at <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> to calculate income.

### Section 504 Loan Program

Rural Development has ample loan funds available in our Section 504 home repair loan program. Eligible applicants must own the house that will be repaired with the loan funds.

The maximum loan amount is \$20,000 which holds an interest rate of 1% for up to 20 years. Please apply directly to a local Rural Development Office at [www.rurdev.usda.gov/va](http://www.rurdev.usda.gov/va).

### Section 523 Mutual Self-Help Program

Rural Development is please to announce that we have received a pre-application for a Section 523 Self-Help Predevelopment Grant from People, Inc. of Southwest Virginia. Under their proposal, People Inc. will build 12 homes under the mutual self-help housing program in Washington County, VA.

Rockbridge Area Habitat for Humanity, Inc. has submitted an application for a Section 523 /Self-Help Technical Assistance Grant to build 10 homes in Rockbridge County and the City of Buena Vista.

The self-help program is running strong in Virginia and we expect to use all of our allocated funds.

### Flexible Ratios on Energy Efficient Homes

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Agriculture Secretary Mike Johanns announced new qualifying ratio flexibilities for loan applicants participating in the Section 502 Direct and Guaranteed Rural Housing programs.

For all homes built after 2000 or existing dwelling that meet the requirements of the 2000 International Energy Conservation Code (IECC), the loan underwriter can allow an increase in both the PITI and TD ratios by 2%.

This option is currently a pilot program that will run for the next 18 months.

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